

Internal Revenue Service

Department of the Treasury

District  
Director

31 Hopkins Plaza, Baltimore, MD 21201

Person to Contact:

Telephone Number:

Refer Reply to:

Date: FEB 12 1998

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code and have determined that you do not qualify for exemption under that section. Our reasons for this conclusion and the facts upon which it is based are explained below.

Your organization was formed under the laws of [REDACTED] on [REDACTED]. The articles were amended on [REDACTED] in order to meet the organizational test of section 501(c)(3).

The organization's bylaws provide criteria for membership and operational objectives. Membership "consists of representatives of law enforcement, business, and community organizations who can contribute to the reduction of auto theft." Members are recommended by the membership committee and approved by the Board of Directors. Members are entitled to one vote at an annual meeting for the election of directors and on such other matters as submitted to a vote, except that they may not vote on amendments to the articles of incorporation. The bylaws site the following operational objectives:

- a. To encourage public awareness of the problem of auto theft.
- b. To provide financial support to the law enforcement community when efforts are targeted towards auto theft.
- c. To create awareness with judicial agencies concerning the problems of auto theft.
- d. To monitor legislation which addresses illegal activity related to auto theft, enhances law enforcement, and provides for appropriate penalties.
- e. To support the training of both law enforcement and insurance representatives in the area of theft detection, investigation, and prevention.
- f. To publish a periodic newsletter to be distributed to law enforcement, insurance representatives and other interested parties.
- g. To develop an awards program for uniformed police officers, and

- h. To promote the welfare, spirit, and development of the committee, as well as supporting a nationwide network of anti-car theft committees.

The organization's income is derived through membership contributions and expenditures have been primarily for awards trophies and plaques, occupancy, and fund-raising.

Section 501(c)(3) of the Internal Revenue Code provides for the exemption of organization which are organized and operated exclusively for charitable, religious, and educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income tax regulations provides that in order to qualify for exemption under Code section 501(c)(3), an organization must be both organized and operated exclusively for one or more exempt purposes. Failure to meet either the organizational test or operational test will disqualify an organization from exemption under section 501(c)(3).

Section 1.501(c)(3)-1(c)(1) of the Regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplishes such purposes. An organization will not be regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Information submitted with your application discusses the member's concern with the problem of motor vehicle theft and related illegal activities. The purpose of the "Committee" is to conduct activities to increase public awareness of the problem of motor vehicle theft and to provide education, training and, where appropriate, advocacy of new legislation, to reduce motor vehicle theft.

The committee believes improved training of law enforcement personnel and better cooperation with law enforcement by insurance personnel would be effective in reducing vehicle theft, since limited law enforcement resources cannot adequately address the problem of vehicle theft. The committee anticipates conducting training classes for law enforcement personnel and insurance company claim representatives to increase their effectiveness in dealing with motor vehicle theft. The training sessions are to teach attendees how to investigate a theft, demonstration of witness interview techniques and other procedures. In addition, the organization will train in the conduct of sting operations.



[REDACTED]

The committee, also in effort to improve the quality of law enforcement in this respect, recognizes efforts of officers by awarding those securing the largest number of convictions and crimes relating to motor vehicle theft and to those recovering the largest value of stolen vehicles.

The organization contends, that greater community involvement, through programs such as neighborhood watch groups, may provide some success in reducing motor vehicle thefts. The committee states part of its function as educating the public as to the scope of the problem of motor vehicle theft and the financial impact on businesses and consumers. It describes its willingness to provide a free speakers bureau to offer speakers to community groups and other organizations interested in hearing about the problem of motor vehicle theft. It proposes to publish literature concerning the problem, the distribution of mailings and public service advertising campaigns, depending on funding.

The committee also expects to monitor legislation to study the impact of any State legislation relating to motor vehicle theft, though it does not expect to be directly involved in attempting to influence legislation. However, the committee asserts that it will make a Section 501(h) election if significant legislation arises.

Revenue Ruling 71-386, 1975-2 C.B. 211 describes an organization that carried on activities in the general areas of public safety and crime prevention, housing and community development, recreation and community services was held exempt under section 501(c)(4).

Likewise, it was determined in the case of Peoples's Educational Camp Society, Inc. v Commissioner, 331 F.2d 923 (1964), that an organization whose services though made solely to its members, benefited the community as a whole because of the nature of the services and the group receiving them.

Revenue Ruling 65-195, 1965-2 C.B. 164, discusses Junior chambers of commerce organized and operated for the purpose of rendering civil services that benefit the community and its citizens. Their various programs, such as activities on behalf of youth, community benefit projects, and community leadership training is considered to promote the common good and general welfare of the people of the community and hence qualifies under section 501(c)(4).

The Supreme Court held, in Better Business Bureau v. U.S., 326 U.S. 279 (1945), that the presence of a single non-educational purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly educational purposes.

Our review of the information indicates that while your organization meets the organizational test required to be exempt under section 501(c)(3), you have not established that you are operated exclusively for educational or other stated purposes under section 501(c)(3).

[REDACTED]

[REDACTED]

In your bylaws, you list "encouraging public awareness of the problem of auto theft" as your first objective. It represents essentially, a minor endeavor as compared to your overall goals. In addition, your discussion of this activity offered minimal evidence that it may be considered your primary activity. Nevertheless, even though this activity may be perceived as educational and perhaps of some benefit to the public, your overall activities obliterate the exclusiveness required by section 501(c)(3).

Your activities are designed to increase the effectiveness of law enforcement in policing car theft, as well as to insurance companies in dealing with theft claims and investigations. Your involvement with the public enhances the image of the organization and possibly secures favorable perception and recognition by the public however, your activities promote the common good and general welfare of the people of the community rather than confer any specific charitable benefits.

Based on the evidence submitted, we have determined that you have not demonstrated that you are operated exclusively for educational or other purposes described in section 501(c)(3) of the Code.

Therefore you are not entitled to exemption under section 501(c)(3) however, it appears you are eligible for exemption under section 501(c)(4) of the Internal Revenue Code. If you wish to receive consideration under section 501(c)(4), you must make application on Form 1024. If you file application 1024, we will reconsider your exempt status. The supporting information previously furnished need not be duplicated; however any necessary additional information may be requested.

As a result of this determination you are required to file Federal Income tax returns on Form 1120.

Contributions to your organization are not deductible by donors under section 170(c)(2) of the Code.

In accordance with the provisions of section 6104(c) of the code, a copy of this letter will be sent to the appropriate State officials.

If you do not agree with our determination, you may request consideration of this matter by the Office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or, if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.



[REDACTED]

If you don't appeal this determination within 30 days from the date of this letter, as explained in Publication 892, this letter will become our final determination in this matter. Further, if you do not appeal this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust administrative remedies. Section 7428(b)(2) of the Code provides, in part, that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted all administrative remedies available to it within the Internal Revenue Service.

Appeals submitted which do not contain all the documentation required by Publication 892 will be returned for completion.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,



District Director  
Southeast Key District

Enclosure: Publication 892

cc: [REDACTED], POA  
State Attorney General [REDACTED]